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STATE FOR EEB (EGAN); ENERGY FOR GINA ERICKSON; COMMERCE FOR
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SUBJECT: LIBYA'S NASCENT BUSINESS INCUBATOR PROGRAMS A POTENTIAL
AREA FOR BILATERAL ENGAGEMENT

REF: TRIPOLI 917

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REASON: 1.4 (b), (d)

11. (C) Summary: In a recent roundtable discussion, experts at Libya's Economic Development Board (EDB) described their nascent Business Incubator Program to a visiting U.S. Commercial Law Development Program (CLDP) specialist. The Libyan program seeks to support existing businesses and to create new small businesses in Libya, especially in non-hydrocarbon sectors, and includes a component for re-direction of former WMD scientists. The group discussed their efforts to reach out to other business incubators overseas, particularly in the U.S., and welcomed the CLDP's help in facilitating such contact. A representative of the EDB noted that the Government of Libya (GOL) could fund visits to the U.S. by Libyan experts and asked for detailed proposals (CLDP is preparing the proposals and can help facilitate the visits). End Summary.

TECHNOLOGY INCUBATORS BEGET BROADER BUSINESS INCUBATOR PROGRAM

12. (C) In a meeting on November 18, Dr. Omar Annakou, head of Libya's Incubator for Technology and Innovation (ELITE), explained the program to visiting U.S. Department of Commerce CLDP specialist Marc Tetjel and Econoff. Annakou explained that the program began a year ago and focused on developing Libya's research capacity; it will expand with the opening of business incubators in the major cities of Tripoli, Benghazi and Sabha. Part of ELITE's original mandate was to help re-direct the efforts of scientists formerly involved in Libya's WMD development program. In addition to laboratory facilities, there are several precision-tooling facilities that have largely been moribund since the GOL decided in 2003 to abandon its WMD programs. (Note: ELITE was the original program; the related business incubators are related to ELITE, but are broader in scope. End note.)

13. (SBU) The incubators will provide information and communication technology (ICT) services, office space, shared workshops, financial management training, assistance in developing links to financiers, business information, training in business management and help entering particular markets. Program managers are in negotiations with a Jordanian consultant, who will assist in establishing the incubators. It is expected that the contract will be finalized in a month or two. The EDB will also open "innovation centers" in universities, starting with al-Fateh University in Tripoli, and

is working to create "maritime clusters" of companies along Libya's coast to develop fishing, boat-building and maritime environmental programs. The maritime project is being developed in cooperation with a French program to link Libyan and French small businesses.

GOING FROM PUBLIC TO PRIVATE ENTERPRISES

14. (SBU) Another expert at the roundtable stressed the importance of understanding how the incubators project fit into the broader history of Libya's economic reform effort. He noted that Libya had experienced three decades of a state run economy, but was now undergoing a "drastic" shift towards privatization. (Note: As detailed in reftel and previous, senior GOL officials are currently debating whether and how to implement a dramatic program of government re-structuring and privatization articulated by Muammar al-Qadhafi in his March 2008 address to the General People's Congress. End note.) In his view, Libya had relied on oil and gas to an extent that was unhealthy and should focus on diversifying economic activity in tourism, transit, ICT technology, solar energy, and petrochemicals. He flagged silicon production as a potential area for investment, noting that there is quartz in Libyan sand, and said no U.S. companies were presently working in that sector. The GOL's ultimate goal is that non-oil and gas activity will eventually account for 50 per cent of Libya's GDP. (Note: This will be a stretch. The GOL's official figures claim hydrocarbons currently account for about 70 percent of Libya's economy; however, external sources put the figure at 90 percent or more. End note.)

LIBYA NEEDS HELP DEVELOPING SMALL BUSINESSES AND IN IPR ENFORCEMENT

15. (SBU) The director of planning for the program, Dr. Ramadan, praised the U.S. as "pioneers" in the idea of business

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incubators. The GOL is currently trying to transform the collective mindset of Libyans and is looking at models from other countries, including the U.S. Junior Achievement program targeting young people. Rather than importing foreign programs wholesale, the GOL is looking at how Jordan has tailored programs to its specific culture and needs. Noting the U.S.-Libya Science and Technology Agreement signed in January 2008, Ramadan suggested that some U.S. support for Libya's small business incubator could fall under this agreement. The long-term goal is to help Libya's sizeable informal sector integrate into the formal sector. (Note: The gray and black markets in Libya are robust and account for a large portion of economic activity outside the oil and gas sector. End note.) The CLDP's Tetjel pointed out that the World Bank (via the IFC) also offers excellent training for small- and medium-sized businesses. Responding to Tetjel's question as to whether safeguarding intellectual property rights (IPR) was an issue, our interlocutors described it as "a huge need" and welcomed exchanges with U.S. counterparts. CLDP could arrange for U.S. consultants to visit Libya to discuss various IPR protection instruments, including patents, trademarks, and protection of trade secrets. (Note: Libya lacks appropriate laws for IPR protection and there is virtually no current enforcement of IPR strictures. End note.)

GOL WILLING TO SELF-FUND VISIT BY LIBYAN EXPERTS TO U.S. BUSINESS INCUBATOR CENTERS

16. (SBU) Tetjel suggested that a group from the EDB Business Incubator Program could visit the U.S. to meet with counterparts at incubators in Washington DC, Baltimore and North Carolina. EDB representative Khaled Bezaylia said the GOL could fund such trip(s) and requested a detailed proposal. (Note: The CLDP is preparing proposals and can help facilitate the visits; Tetjel will follow-up with GOL counterparts during his planned visit December 13-16. End note.) The Libyan experts noted that better linkages between academia and private companies in Libya needed to be forged. Because Libya did not have a strong

history of private sector development and the number of true private enterprises remained small, the roles of academia and the private sector in research and development were still vaguely defined and not well understood.

¶7. (C) Comment: This was Post's initial meeting with the stewards of the EDB's Business Incubator Program. The tone was positive and suggested that there is good potential for future cooperation and engagement in terms of programs the U.S. could offer through the CLDP and programs the GOL says it could self-fund. Developing Libya's non-hydrocarbon sector is important in the context of Libya's overall economic health and offers comparatively greater opportunity for U.S.-Libya economic cooperation than the more mature - and more tightly controlled - oil and gas sector. Support for the EDB's Business Incubator Program, with its focus on re-directing the efforts of scientists formerly involved in Libya's WMD program, also dovetails with a key Mission goal. As with other areas of putative economic reform, the EDB's Business Incubator Program is long on rhetoric and management-speak and (so far) short on tangible results. The EDB is headed by Dr. Mahmoud Jibril, a key adviser to Saif al-Islam al-Qadhafi (son of Muammar al-Qadhafi and a key reform proponent), and therefore enjoys some sway within the GOL; however, the extent to which the Business Incubator Program has been coordinated with and enjoys the support of other key GOL actors such as the General People's Committee for Manpower, Employment and Training (Ministry of Labor-equivalent) is unclear and could be a limiting factor. End comment.

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